

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Orient Township	County Osceola
Audit Date 3/31/06	Opinion Date 5/5/06	Date Accountant Report Submitted to State: July 10, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

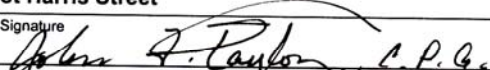
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☒ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.			
Street Address 134 West Harris Street		City Cadillac	State MI
Accountant Signature 		ZIP 49601	Date 7/7/06

ORIENT TOWNSHIP, OSCEOLA COUNTY

SEARS, MICHIGAN

MARCH 31, 2006

ORIENT TOWNSHIP, OSCEOLA COUNTY
SEARS, MICHIGAN

MARCH 31, 2006

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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

May 5, 2006

INDEPENDENT AUDITORS' REPORT

To the Township Board
Orient Township
Osceola County
Sears, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Orient Township, Osceola County, Sears, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Orient Township, Osceola County, Sears, Michigan as of March 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Township has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as of April 1, 2004.

The management's discussion and analysis on pages iii through viii and budgetary comparison information on page 17 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Orient Township, Osceola County, Sears, Michigan's basic financial statements. The individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

ORIENT TOWNSHIP, OSCEOLA COUNTY
SEARS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Orient Township, a general law township located in Osceola County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Orient Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2006.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$398,046. Of this amount, \$239,057 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental fund reported an ending fund balance of \$238,966, all of which is available for spending at the Township's discretion.
- ◆ The Township is not obligated under any long-term debt as of March 31, 2006.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The government-wide financial statements, required by GASB 34, are new and being shown for the first time in 2006 for Orient Township. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

ORIENT TOWNSHIP, OSCEOLA COUNTY
SEARS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain any proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township’s financial position over time. The Net Assets of the Township are \$398,046 at March 31, 2006, meaning the Township’s assets were greater than its liabilities by this amount.

ORIENT TOWNSHIP, OSCEOLA COUNTY
SEARS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Orient Township
Net Assets as of March 31, 2006

	<u>Governmental Activities</u>
Assets	
Current Assets	\$ 241,753
Non Current Assets	
Capital Assets	\$ 192,883
Less: Accumulated Depreciation	<u>(33,894)</u>
Total Non Current Assets	<u>\$ 158,989</u>
Total Assets	<u>\$ 400,742</u>
Liabilities	
Current Liabilities	<u>\$ 2,696</u>
Net Assets	
Invested in Capital Assets	\$ 158,989
Unrestricted	<u>239,057</u>
Total Net Assets	<u>\$ 398,046</u>
Total Liabilities and Net Assets	<u>\$ 400,742</u>

The most significant portions of the Township's Net Assets is cash. The Township has \$239,057 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole, as well as for its separate governmental activities.

The total net assets of the Township increased by \$31,982 in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

ORIENT TOWNSHIP, OSCEOLA COUNTY
SEARS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Orient Township
Changes in Net Assets
for the Fiscal Year Ended March 31, 2006

	<u>Governmental</u> <u>Activities</u>
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$ 4,252
Operating Grants and Contributions	2,465
Capital Grants and Contributions	5,300
General Revenues	
Property Taxes	25,417
State Shared Revenue	55,048
Unrestricted Investment Earnings	<u>6,586</u>
Total Revenues	<u>\$ 99,068</u>
<u>Expenses</u>	
Legislative	\$ 1,927
General Government, Administrative	41,587
Public Safety	16,449
Public Works	697
Recreational and Cultural	1,310
Other Functions	<u>5,116</u>
Total Expenses	<u>\$ 67,086</u>
Changes in Net Assets	\$ 31,982
NET ASSETS - Beginning of Year	<u>366,064</u>
NET ASSETS - End of Year	<u><u>\$ 398,046</u></u>

Governmental Activities

During the fiscal year ended March 31, 2006, the Township's net assets increased by \$31,982 or 8.7% in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

ORIENT TOWNSHIP, OSCEOLA COUNTY
SEARS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

The most significant portion of the revenue for all governmental activities of Orient Township comes from state shared revenues of \$55,048. The Township levied 0.8736 mills for operating purposes which raised revenues of \$24,023.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax. In fiscal year 2006, the amount of state shared revenue received by the Township has not kept pace with inflation.

The Township's governmental activities expenses are dominated by general government expenses that total 62.0% of total expenses. The Township spent \$41,587 in fiscal year 2006 on General Government expenses. Public Safety represented the next largest expense at \$16,449, or 24.5% of total expenses. Expenses for salaries and contracted services represent a large portion of the General Government expenses at \$19,195. Depreciation expense added another \$4,724.

Business-Type Activities

The Township does not maintain any Business-Type Activities.

Financial Analysis of the Government's Funds

Governmental Funds The focus of Orient Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Orient Township's governmental fund reported an ending fund balance of \$238,966, 100%, of which constitutes unreserved fund balance.

General Fund – The General Fund increased its fund balance by \$31,825 which brings the fund balance to \$238,966. The General Fund's fund balance is unreserved. All of the General Fund's functions, except for the General Government, ended the year with expenditures below budgeted amounts. The General Government differential was funded by a grant to purchase new election equipment. Property taxes and collection fees amounted to \$25,326. State shared revenues and grants were collected in the amount of \$62,813.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental activities as of March 31, 2006 was \$158,989 net of accumulated depreciation. New election equipment was purchased for \$5,300, and depreciation totaled \$5,234 for a net increase in capital assets of \$66.

Capital assets summarized below include any items purchased with a cost greater than \$1,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

ORIENT TOWNSHIP, OSCEOLA COUNTY
SEARS, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Orient Township
Capital Assets as of March 31, 2006

	<u>Governmental</u> <u>Activities</u>
Land and Improvements	\$ 41,742
Buildings	142,647
Equipment, Furniture and Fixtures	<u>8,494</u>
	\$ 192,883
Less Accumulated Depreciation	<u>33,894</u>
Net Capital Assets	<u><u>\$ 158,989</u></u>

Long-Term Debt. Orient Township has no obligation for any long-term debt as of March 31, 2006.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget may mean further reductions in state-shared revenues. State-shared revenues are expected to remain the same in the 2006-07 fiscal year.

These factors were considered in preparing the Township's budgets for the 2006-07 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Orient Township at 5755 South 30th Ave, Sears, MI 49679.

ORIENT TOWNSHIP, OSCEOLA COUNTY
SEARS, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2006

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 222,501
Taxes Receivable	3,310
Prepaid Insurance	648
Due from External Sources	1,923
Due from Other Governments	<u>13,371</u>
Total Current Assets	<u>\$ 241,753</u>
<u>CAPITAL ASSETS</u>	
Land and Improvements	41,742
Buildings	142,647
Equipment	7,638
Furniture	<u>856</u>
	\$ 192,883
Less Accumulated Depreciation	<u>33,894</u>
Net Capital Assets	<u>\$ 158,989</u>
 TOTAL ASSETS	 <u>\$ 400,742</u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$ 2,163
Payroll Taxes and Withholdings	158
Hall Deposits	<u>375</u>
Total Current Liabilities	<u>\$ 2,696</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets	\$ 158,989
Unrestricted	<u>239,057</u>
 TOTAL NET ASSETS	 <u><u>\$ 398,046</u></u>

The accompanying notes are an integral part of the financial statements.

ORIENT TOWNSHIP, OSCEOLA COUNTY
SEARS, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2006

					NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS TOTAL GOVERNMENTAL ACTIVITIES
FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
PRIMARY GOVERNMENT					
<u>GOVERNMENTAL ACTIVITIES</u>					
Legislative	\$ 1,927	\$ 0	\$ 0	\$ 0	\$ (1,927)
General Government	41,587	4,252	0	5,300	(32,035)
Public Safety	16,449	0	0	0	(16,449)
Public Works	697	0	2,465	0	1,768
Recreation and Cultural	1,310	0	0	0	(1,310)
Other Functions	5,116	0	0	0	(5,116)
Total Governmental Activities	<u>\$ 67,086</u>	<u>\$ 4,252</u>	<u>\$ 2,465</u>	<u>\$ 5,300</u>	<u>\$ (55,069)</u>
<u>GENERAL REVENUES</u>					
Property Tax					\$ 25,417
State Shared Revenue					55,048
Unrestricted Investment Earnings					6,586
Total General Revenues					<u>\$ 87,051</u>
Change in Net Assets					\$ 31,982
<u>NET ASSETS</u> - Beginning of Year					<u>366,064</u>
<u>NET ASSETS</u> - End of Year					<u>\$ 398,046</u>

The accompanying notes are an integral part of the financial statements.

ORIENT TOWNSHIP, OSCEOLA COUNTY
SEARS, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
MARCH 31, 2006

	<u>GENERAL FUND</u>
<u>ASSETS</u>	
Cash	\$ 222,501
Taxes Receivable	3,310
Prepaid Expenditures	648
Due From Other Governments	13,371
Due From Other Funds	1,923
Total Assets	<u>\$ 241,753</u>
 <u>LIABILITIES AND FUND BALANCE</u>	
<u>LIABILITIES</u>	
Accounts Payable	\$ 2,163
Payroll Taxes and Withholdings	158
Hall Deposits	375
Deferred Revenue	91
Total Liabilities	<u>\$ 2,787</u>
 <u>FUND BALANCE</u>	
Reserved for Prepaid Expenditures	\$ 648
Unreserved	
Undesignated	238,318
Total Fund Balance	<u>\$ 238,966</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 241,753</u>

The accompanying notes are an integral part of the financial statements.

ORIENT TOWNSHIP, OSCEOLA COUNTY
SEARS, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2006

Total Fund Balances for Governmental Funds	\$ 238,966
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Property taxes receivable are not deferred on the Statement of Net Assets	91
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Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	\$ 41,742	
Land Improvements	142,647	
Buildings	7,638	
Equipment, Furniture and Vehicles	856	
Accumulated Depreciation	(33,894)	158,989
		<hr/>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 398,046</u>
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The accompanying notes are an integral part of the financial statements.

ORIENT TOWNSHIP, OSCEOLA COUNTY
SEARS, MICHIGAN

GOVERNMENTAL FUNDS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2006

	<u>GENERAL FUND</u>
<u>REVENUES</u>	
Taxes	\$ 25,326
State Grants	62,813
Charges for Services	2,732
Interest and Rents	<u>8,106</u>
 Total Revenues	 <u>\$ 98,977</u>
 <u>EXPENDITURES</u>	
Legislative	\$ 1,927
General Government	42,163
Public Safety	16,449
Public Works	697
Recreation and Cultural	800
Other Functions	<u>5,116</u>
 Total Expenditures	 <u>\$ 67,152</u>
 Net Change in Fund Balance	 \$ 31,825
 <u>FUND BALANCE</u> - Beginning of Year	 <u>207,141</u>
 <u>FUND BALANCE</u> - End of Year	 <u><u>\$ 238,966</u></u>

The accompanying notes are an integral part of the financial statements.

ORIENT TOWNSHIP, OSCEOLA COUNTY
SEARS, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

MARCH 31, 2006

Net change in Fund Balance - Total Governmental Funds	\$ 31,825
Amounts reported for governmental activities are different because:	
Property taxes receivable are not deferred	91
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(5,234)
Capital Outlay	<u>5,300</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 31,982</u></u>

The accompanying notes are an integral part of the financial statements.

ORIENT TOWNSHIP, OSCEOLA COUNTY
SEARS, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS AND LIABILITIES
MARCH 31, 2006

	<u>CURRENT TAX COLLECTION FUND</u>
<u>ASSETS</u>	
Cash	\$ 1,982
	<hr/>
<u>LIABILITIES</u>	
Due to Other Funds	\$ 1,923
Accounts Payable	59
	<hr/>
	\$ 1,982
	<hr/>

The accompanying notes are an integral part of the financial statements.

ORIENT TOWNSHIP, OSCEOLA COUNTY
SEARS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Orient Township is a general law township located in Osceola County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

During fiscal year 2005, the Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

ORIENT TOWNSHIP, OSCEOLA COUNTY
SEARS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Orient Township reports the following major governmental fund:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government.

Additionally, Orient Township reports the following fund type:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

ORIENT TOWNSHIP, OSCEOLA COUNTY
SEARS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition. The Township investment policy authorizes the Township treasurer to invest Township funds in deposit accounts, savings accounts, certificates of deposit, bonds, securities and other obligations of the United States; commercial paper; repurchase agreements; obligations of the state or its political subdivisions; mutual funds; and investment pools as allowed by state law.

2. Receivables and Payables

Outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and one-third of county taxes are levied and due July 1, and become delinquent after September 15. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2005 taxable valuation of Orient Township totaled \$27,711,196, on which ad valorem taxes levied consisted of 0.8736 mills for Orient Township operating purposes. The levy raised approximately \$24,203 for operating purposes.

ORIENT TOWNSHIP, OSCEOLA COUNTY
SEARS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed when acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building improvements	20
Land improvements	20
Public domain infrastructure	20
Vehicles	10
Equipment and Furniture	5-10

Orient Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning April 1, 2004, in accordance with the Township's capitalization policy.

5. *Long-term Obligations*

The Township has no long-term obligations

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a

ORIENT TOWNSHIP, OSCEOLA COUNTY
SEARS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. The budget was adopted on March 26, 2005 and amended on March 25, 2006.

The appropriated budget is prepared by fund and function. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

B. Expenditures in excess of appropriations were as follows:

	<u>APPROPRIATIONS</u>		<u>EXPENDITURES</u>
General Fund			
General Government	\$ 38,077	\$	42,163
Other Functions	5,055		5,116

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Township's deposits are all on deposit with Chemical Bank Central in Big Rapids, Michigan.

The Township's deposits are owned by the General Fund and Current Tax Collection Fund. At year-end, the carrying amount of the Township's deposits was \$224,483 and the bank balance was \$234,539. Of the bank balance, \$100,000 was covered by Federal depository insurance and \$134,539 was uninsured and uncollateralized.

ORIENT TOWNSHIP, OSCEOLA COUNTY
SEARS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in Note D.1.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township currently does not hold any such investments.

A reconciliation of cash and investments follows:

	<u>Primary Government</u>
Carrying amount of Deposits	<u>\$ 224,483</u>
Government-wide Statement of Net Assets	\$ 222,501
Statement of Fiduciary Net Assets and Liabilities	<u>1,982</u> <u>\$ 224,483</u>

ORIENT TOWNSHIP, OSCEOLA COUNTY
SEARS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

B. Receivables

Receivables as of year end for the government's individual major fund are as follows:

	<u>General</u>
Receivables	
Taxes	\$ 3,310
Due from Other Government	<u>13,371</u>
	<u>\$ 16,681</u>

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, the Township had \$91 of deferred property tax revenue.

ORIENT TOWNSHIP, OSCEOLA COUNTY
SEARS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 16,602	\$ 0	\$ 0	\$ 16,602
Capital assets, being depreciated				
Buildings	\$ 142,647	\$ 0	\$ 0	\$ 142,647
Land Improvements	25,140	0	0	25,140
Furniture and equipment	3,194	5,300	0	8,494
Total capital assets, being depreciated	\$ 170,981	\$ 5,300	\$ 0	\$ 176,281
Less accumulated depreciation for:				
Buildings	\$ 23,589	\$ 3,203	\$ 0	\$ 26,792
Land Improvements	3,417	1,559	0	4,976
Furniture and Equipment	1,654	472	0	2,126
Total accumulated depreciation	\$ 28,660	\$ 5,234	\$ 0	\$ 33,894
Total Capital Assets, being depreciated, net	\$ 142,321	\$ 66	\$ 0	\$ 142,387
Governmental activities capital assets, net	\$ 158,923	\$ 66	\$ 0	\$ 158,989

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 4,724
Recreation and Culture	510
	<u>\$ 5,234</u>

Construction Commitments:

The Township is committed to the Osceola County Road Commission for bridge construction in the amount of \$48,747.

ORIENT TOWNSHIP, OSCEOLA COUNTY
SEARS, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

D. Interfund Receivables

Individual fund interfund receivable and payable balances at March 31, 2006, were:

<u>Fund</u>	<u>INTERFUND RECEIVABLES DUE FROM'S</u>	<u>INTERFUND PAYABLES DUE TO'S</u>
Primary Government Only Due From/To Other Funds:		
General Fund		
Current Tax Collection Fund	\$ 1,923	\$ 0
Current Tax Collection Fund		
General Fund	0	1923
Total Primary Government	<u>\$ 1,923</u>	<u>\$ 1,923</u>

E. Long-Term Debt

At March 31, 2006, the Township was not obligated for any long-term debt.

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

ORIENT TOWNSHIP, OSCEOLA COUNTY
SEARS, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2006

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>				
Taxes	\$ 24,800	\$ 24,800	\$ 25,326	\$ 526
State Grants	56,000	56,000	62,813	6,813
Charges for Services	150	150	2,732	2,582
Interest and Rents	2,625	2,625	8,106	5,481
Total Revenues	\$ 83,575	\$ 83,575	\$ 98,977	\$ 15,402
<u>EXPENDITURES</u>				
Legislative	\$ 3,020	\$ 3,020	\$ 1,927	\$ 1,093
General Government	37,980	38,077	42,163	(4,086)
Public Safety	16,500	16,500	16,449	51
Public Works	17,450	17,450	697	16,753
Recreation and Cultural	800	800	800	0
Other Functions	5,055	5,055	5,116	(61)
Contingency	2,770	2,673	0	2,673
Total Expenditures	\$ 83,575	\$ 83,575	\$ 67,152	\$ 16,423
Net Change in Fund Balance	\$ 0	\$ 0	\$ 31,825	\$ 31,825
<u>FUND BALANCE</u> - Beginning of Year	0	0	207,141	207,141
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 238,966	\$ 238,966

ORIENT TOWNSHIP, OSCEOLA COUNTY
SEARS, MICHIGAN

GENERAL FUND

BALANCE SHEET
MARCH 31,2006

ASSETS

Cash	
Money Market Account	\$ 178,405
Certificate of Deposit	44,096
Taxes Receivable	3,310
Prepaid Insurance	648
Due from Other Funds	1,923
Due from Other Governments	13,371
	<hr/>
TOTAL ASSETS	\$ 241,753
	<hr/> <hr/>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 2,163
Employee Withholdings	158
Hall Deposits	375
Deferred Revenue	91
	<hr/>
Total Liabilities	\$ 2,787
	<hr/>

FUND BALANCE

Reserved for Prepaid Expenditures	\$ 648
Unreserved	238,318
	<hr/>
Total Fund Balance	\$ 238,966
	<hr/>
TOTAL LIABILITIES AND FUND BALANCE	\$ 241,753
	<hr/> <hr/>

ORIENT TOWNSHIP, OSCEOLA COUNTY
SEARS, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2006

	BUDGET		ACTUAL
	ORIGINAL	FINAL	
<u>REVENUES</u>			
Taxes	\$ 24,800	\$ 24,800	\$ 25,326
State Grants	56,000	56,000	62,813
Charges for Services	150	150	2,732
Interest and Rents	2,625	2,625	8,106
Total Revenues	83,575	83,575	98,977
<u>EXPENDITURES</u>			
Legislative			
Township Board	3,020	3,020	1,927
General Government			
Supervisor	4,225	4,225	3,874
Election	2,975	2,975	1,147
Assessor	5,600	5,600	5,600
Clerk	7,475	7,475	7,420
Board of Review	1,185	1,185	1,162
Treasurer	9,020	9,020	11,042
Building and Grounds	6,100	6,100	5,121
Cemetery	1,400	1,497	1,497
Public Safety	16,500	16,500	16,449
Public Works	17,450	17,450	697
Recreation and Cultural	800	800	800
Other Functions	5,055	5,055	5,116
Capital Outlay	0	0	5,300
Contingency	2,770	2,673	0
Total Expenditures	83,575	83,575	67,152
Excess (Deficiency) of Revenues Over Expenditures	0	0	31,825
<u>FUND BALANCE</u> - Beginning of Year	0	0	207,141
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 238,966

ORIENT TOWNSHIP, OSCEOLA COUNTY
SEARS, MICHIGAN

STATEMENT OF 2005 TAX ROLL
MARCH 31, 2006

			<u>TAXES</u>		
	<u>TAXABLE VALUE</u>	<u>MILLS</u>	<u>TAXES</u> <u>ASSESSED</u>	<u>TAXES</u> <u>COLLECTED</u>	<u>RETURNED</u> <u>DELINQUENT</u>
County	\$ 27,711,196	15.1851	\$ 420,159	\$ 381,015	\$ 39,144
Township	27,711,196	0.8736	24,203	20,982	3,221
Schools					
Ewart Public Schools					
Operating	11,919,666	18.0000	214,553	199,464	15,089
Debt	22,787,562	2.4000	54,687	48,171	6,516
Chippewa Hills School District					
Operating	2,596,532	18.0000	46,737	39,703	7,034
Debt	4,923,634	3.0000	14,770	11,852	2,918
Intermediate School					
Mecosta-Osceola	27,711,196	4.0874	113,262	98,188	15,074
			<u>\$ 888,371</u>	<u>\$ 799,375</u>	<u>\$ 88,996</u>

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JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

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MICHAEL D. COOL, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

May 5, 2006

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Orient Township
Osceola County
Sears, Michigan

During the course of our audit of the basic financial statements of Orient Township for the year ended March 31, 2006, we noted the following items:

Budgeting

The budget was exceeded for two expenditure activities in the General Fund. One of the items resulted from not amending the budget to include revenue and expense for a state grant that the Township received to purchase election machines. Act 621 of the Public Acts of 1978 requires amending the budget prior to authorizing expenditures that would cause such overages. In addition, the budget did not have beginning and ending fund balance information as required by PA 621.

General Recordkeeping

The accounting records for the year ended March 31, 2006, were found to be in excellent order and in compliance with the State's uniform accounting system.

GASB 34

The board has not adopted a capitalization threshold policy for determining what minimum dollar amount will be used for recognizing new asset purchases as capital assets in accordance with Government Accounting Standards Board Statement No. 34. A \$1,000 threshold would probably be appropriate for the Township

Credit Card Policy

We noted in the March 25, 2006, board minutes that the Township had obtained a credit card. State law requires that the board adopt an official policy governing use and control of a credit card.

We would like to thank the board for awarding our firm the audit assignment and to thank the township clerk and treasurer for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.
Baird, Cotter & Bishop, P.C.

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CERTIFIED PUBLIC ACCOUNTANTS

May 5, 2006

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Orient Township
Osceola County
Sears, Michigan

In planning and performing our audit of the basic financial statements of Orient Township, Osceola County, Sears, Michigan for the year ended March 31, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.